

VERNON DISTRICT PUBLIC LIBRARY

FINANCIAL STATEMENTS

DECEMBER 31, 2004

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>Vernon District Public Library</b>	County <b>Shiawassee</b>
Audit Date <b>12/31/04</b>	Opinion Date <b>8-5-05</b>	Date Accountant Report Submitted to State: <b>12-2-05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Demis and Wenzlick, PC</b>			
Street Address <b>217 N. Washington Street, Suite 201</b>	City <b>Owosso</b>	State <b>MI</b>	ZIP <b>48867</b>
Accountant Signature <i>Geraldine Perry, CPA</i>		Date <b>12-2-05</b>	



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## INDEPENDENT AUDITOR'S REPORT

Vernon District Public Library Board  
Vernon, Michigan

We have audited the accompanying general-purpose financial statements of Vernon District Public Library, Shiawassee County, Michigan, as of December 31, 2004. These financial statements are the responsibility of the Vernon District Public Library management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We have conducted our audit in accordance with generally accepted auditing standards in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities and business-type activities as required by the Governmental Accounting Standards Board (GASB 34). Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. GASB 34 requires management's discussion and analysis which also has not been prepared.

In our opinion, except for the non-compliance of GASB 34, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Vernon District Public Library as of December 31, 2004, in conformity with generally accepted accounting principles.

Certified Public Accountants

VERNON DISTRICT PUBLIC LIBRARY  
GENERAL FUND  
COMPARATIVE STATEMENT  
DECEMBER 31, 2004 AND 2003

ASSETS

	<u>2004</u>	<u>2003</u>
Cash - Checking	\$166,914	\$146,786
Cash - Certificates of Deposit	18,815	18,181
Accounts Receivable - Taxes	<u>48,159</u>	<u>46,331</u>
	<u>\$233,888</u>	<u>\$211,298</u>

LIABILITIES AND FUND BALANCE

Accounts Payable	\$ 884	\$ 130
Payroll Taxes Payable	1,162	1,092
Fund Balance	<u>231,842</u>	<u>210,076</u>
	<u>\$233,888</u>	<u>\$211,298</u>

The accompanying notes are an integral  
part of the financial statements.

VERNON DISTRICT PUBLIC LIBRARY  
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2004 AND 2003

		<u>2004</u>		<u>2003</u>
			ACTUAL (OVER) UNDER	
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>BUDGET</u>	<u>ACTUAL</u>
REVENUES:				
Current Taxes	\$45,000	\$ 48,158	\$ (3,158)	\$ 46,397
Penal Funds	14,000	18,133	(4,133)	15,303
State Aid	4,000	4,346	(346)	4,134
Donations	600	2,520	(1,920)	3,801
Village of Vernon	1,000	1,000	-0-	-0-
Fines, Copies, Misc.	500	1,123	(623)	764
Interest Income	<u>-0-</u>	<u>2,254</u>	<u>(2,254)</u>	<u>2,054</u>
TOTAL REVENUES	\$65,100	\$ 77,534	\$ (12,434)	\$ 73,453
EXPENDITURES:				
Land	\$ -0-	\$ -0-	\$ -0-	\$ 19,908
Building - New	18,200	14,916	3,284	-0-
Equip. & Automation	1,800	1,774	26	1,337
Books & Mags.	4,600	4,911	(311)	5,117
Communications	1,700	1,653	47	1,786
Insurance	3,100	3,006	94	2,722
Supplies & Misc.	1,200	255	945	598
Wages	32,300	24,102	8,198	23,622
Payroll Taxes	-0-	2,082	(2,082)	1,762
Audit	-0-	900	(900)	3,400
Co-Op	<u>2,200</u>	<u>2,169</u>	<u>31</u>	<u>2,067</u>
TOTAL EXPENDITURES	\$65,100	\$ 55,768	\$ 9,332	\$ 62,319
EXCESS OF REVENUES OVER (UNDER)				
EXPENDITURES	\$ <u>-0-</u>	\$ 21,766	\$ <u>(3,102)</u>	\$ 11,134
Fund Balance at Beginning of Year		<u>210,076</u>		<u>198,942</u>
FUND BALANCE AT YEAR END		<u>\$231,842</u>		<u>\$210,076</u>

The accompanying notes are an integral  
part of the financial statements.

VERNON DISTRICT PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Vernon District Public Library have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below:

A - FUND ACCOUNTING

The government uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: Governmental, Proprietary and Fiduciary. Each category, in turn, is divided into separate "fund types".

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital projects funds), and the servicing of general long-term debt (debt service funds). The general fund is used to account for all activities of the general government not accounted for in some other fund.

VERNON DISTRICT PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements on these funds present increases (i.e. revenues and other financial sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used by all governmental fund types, expendable trust funds and agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for revenue recognition for all other governmental fund liability is incurred.

Those revenues susceptible to accrual are property taxes, franchise taxes, special assessments, licenses, and charges for services. Sales taxes collected and held by the state at year end on behalf of the government also are recognized as revenue. Fines, permits and parking meter revenues are not susceptible to accrual because generally they are not measurable until received in cash.

The government reports deferred revenue on its combined balance sheet. Deferred revenue arise when a potential revenue does not meet the "measurable" and "available" criteria for recognition are received by the government before its has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

VERNON DISTRICT PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. BUDGETS

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general fund. All annual appropriations lapse at fiscal year end.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is not utilized in the governmental funds. Encumbrances outstanding at year end are not reported as reservations of fund balances and also do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

D. CASH AND INVESTMENTS

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government.

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds and repurchase agreements.

E. FIXED ASSETS

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed asset account group. All purchase fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Assets in the general fixed assets account group are not depreciated.



VERNON DISTRICT PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. COMPENSATED ABSENCES AND POST EMPLOYMENT BENEFITS

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expendable available financial resources is reported as an expenditures and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the general long-term debt account group. No expenditure is reported for those amounts. In accordance with the provisions of Statement of Financial Accounting Standards No. 43, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

Under the Consolidated Omnibus Budgeting Reconciliation Act (COBRA) certain requirements are outline for health insurance coverage of former employees and eligible dependents. The Library does not have health insurance coverage for its employees, therefore, there are no post-employment health care benefits.

G. COMPARATIVE DATA

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the government's financial position and operations. However, comparative data have been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand.

H. ESTIMATES

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets, liabilities, and the reported revenues and expenses.

VERNON DISTRICT PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2004

NOTE 2. LEGAL COMPLIANCE - BUDGETS

Before the beginning of each fiscal year requests for appropriations are submitted so that a budget may be prepared. Once the budget is prepared it is submitted to the board for approval.

Any changes in the budget must be within the revenues and reserves estimated as available or the revenue estimates must be changed by an affirmative vote of a majority of the board. Expenditures may not legally exceed budgeted appropriations where necessary.

NOTE 3. CASH AND CERTIFICATES OF DEPOSIT

<u>INSTITUTION</u>	<u>AMOUNT</u>	<u>FDIC INSURED</u>	<u>UNINSURED</u>
A			
Demand Deposits	\$166,914	\$100,000	\$66,914
Time Deposits	<u>18,815</u>	<u>18,815</u>	<u>-0-</u>
	<u>\$185,729</u>	<u>\$118,815</u>	<u>\$66,914</u>

NOTE 4. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

P.A. 621 of 1978, Section 18 (a) as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Library's actual expenditures and budgeted expenditures for the budgetary funds have been shown based on the type of revenue or expenditure. The approved budgets of the Library were adopted to this level.

VERNON DISTRICT PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2004

NOTE 4. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS  
(CONTINUED)

During the year ended December 31, 2004, the library incurred expenditures in certain budgetary line items which were in excess of the amounts appropriated, as follows:

	<u>TOTAL</u> <u>APPROPRIATIONS</u>	<u>AMOUNT OF</u> <u>EXPENDITURE</u>	<u>BUDGET</u> <u>VARIANCE</u>
Books & Magazines	\$ 4,600	\$ 4,911	\$ 311

NOTE 5. CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	<u>BALANCE</u> <u>12-31-03</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>12-31-04</u>
Land	\$19,908	\$ -0-	\$ -0-	\$19,908
Building - New	-0-	11,713	-0-	11,713
Library	<u>30,992</u>	<u>-0-</u>	<u>-0-</u>	<u>30,992</u>
	<u>\$50,900</u>	<u>\$11,713</u>	<u>\$ -0-</u>	<u>\$62,613</u>

The library paid a total of \$19,908 for land for the new library.



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August 5, 2005

RECEIVED  
DEPT. OF TREASURY

DEC 05 2005

Members of the Vernon District Library Board  
Vernon, Michigan

LOCAL AUDIT & FINANCE DIV.

In compliance with the provisions of Section 11, Paragraph 2, of Act 2, Public Acts of 1968, we wish to render our report of comments and recommendations which were formulated as a result of the examination our firm performed on the financial statements of the Vernon District Public Library, for the year ended December 31, 2004.

## BUDGET

The state revenue sharing distribution law, P.A. 176, of 1980, includes a compliance requirement in budgeting. It is important under this act that expenditures do not exceed budget. Expenditures include accounts payable at December 31, 2004. Budgeted expenditures cannot exceed budgeted revenues plus the beginning fund balance.

During our audit we noticed one expenditure account exceeded budgeted amounts. Expenditures should be monitored so that the budget is not exceeded. The budget may be amended prior to the end of the fiscal year.

We wish to thank the board and staff of the Vernon District Public Library for the excellent cooperation we received in performing the library audit. If we can be of any further assistance to the Library, please contact us.

*Demis and Wenzlick, P.C.*

Certified Public Accountants